

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

November 30, 2004

In Reply Refer To:  
Dominion Cove Point LNG, LP  
Docket Nos. CP01-76-009 and CP01-77-009  
CP01-76-010 and CP01-77-010

Dominion Cove Point LNG, LP  
P.O. Box 26532  
Richmond, VA 32361

Attention: Machel F. Grim, Manager  
Regulatory & Pricing

Reference: Tariff Sheets Implementing Settlement Rates

Dear Ms. Grim:

1. On October 26, 2004, Dominion Cove Point LNG, LP (Cove Point) filed tariff sheets<sup>1</sup> to implement rates established by an October 2002 Settlement.<sup>2</sup> On November 4, 2004, Dominion filed a revised tariff sheet to correct the overrun and commodity rates filed in its October 26, 2004 filing.<sup>3</sup> The tariff sheets revise rates for Rate Schedules LTD-1 and LTD-2 to reflect placing Cove Point's Fifth LNG Storage Tank into service. Cove Point proposes that the tariff sheets be effective the later of December 1, 2004, or the in-service date of its Fifth LNG Storage Tank. The referenced tariff sheets are accepted effective the later of December 1, 2004, or the in-service date of its Fifth LNG Storage Tank, and are subject to the conditions set forth below. Cove Point is directed to notify the Commission of the date the Fifth LNG Storage Tank is placed into service. This action benefits customers by implementing the rates set forth in the October 2002 Settlement.

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<sup>1</sup> Fourth Revised Sheet No. 8 and Fifth Revised Sheet No. 11 to FERC Gas Tariff, Original Volume No. 1.

<sup>2</sup> *Cove Point LNG Limited Partnership*, 102 FERC ¶ 61,227 (2003) (Order approving October 2002 Settlement).

<sup>3</sup> Substitute Fourth Revised Sheet No. 8 to FERC Gas Tariff, Original Volume No. 1.

## **Summary of Filing**

2. In the instant filing, as revised on November 4, 2004, Cove Point proposes to: (1) increase its Rate Schedule LTD-1 Authorized Overrun rate, (2) revise the allocation of the “LNG Tanker Discharging Service” and the “Transmission” rate components of the Rate Schedule LTD-1 Reservation Charge, and (3) implement a Rate Schedule LTD-2 commodity rate that is lower than the rate established by the October 2002 Settlement. Cove Point states that it is in the final phase of placing its new 850,000 barrel Fifth LNG Storage Tank into service and that, *inter alia*, the October 2002 Settlement, established rates to be effective for Rate Schedules LTD-1<sup>4</sup> and LTD-2<sup>5</sup> after its Fifth LNG Storage Tank is placed in service.<sup>6</sup> Cove Point states that the proposed changes would increase revenues from jurisdictional service by \$7.5 million based on the 12-month period ending November 30, 2005, as adjusted. The referenced tariff sheets implement the rates contained in Appendix C to the October 2002 Settlement upon the in-service date of the Fifth LNG Storage Tank, with three exceptions. Below are the rates in October 2002 Settlement and the corresponding proposed rates per Dth:

	<u>October 2002 Settlement</u>	<u>Proposed Base Tariff</u>
Rate Schedule LTD-1		
Maximum Reservation		
LNG Tanker Discharging Service	\$5.8149	\$5.7974
Transmission	0.6584	0.6759
Total Max. Reservation	6.4733	6.4733
Commodity		
Maximum	0.0048	0.0048
Minimum <sup>7</sup>		
Authorized Overrun <sup>8</sup>		0.1954
Rate Schedule LTD-2		
Commodity		
Maximum	0.1966	0.1954
Minimum		0.0000

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<sup>4</sup> LTD-1 provides for firm LNG tanker discharging service.

<sup>5</sup> LTD-2 provides for interruptible LNG tanker discharging service.

<sup>6</sup> October 2002 Settlement, Article II.

<sup>7</sup> The Settlement did not specify a Minimum Commodity rate for either the LTD-1 or LTD-2 services. The existing minimum commodity rate is \$0.0000 per Dth for both services.

<sup>8</sup> The Settlement did not specify an Authorized Overrun rate. The existing overrun rate is \$0.1322 per Dth.

3. Cove Point states that it explained in a previous tariff filing in Docket No. RP03-562-000, the reason for reallocating two components of the reservation rate for Rate Schedule LTD-1 for the period prior to placing the Fifth LNG Storage Tank into service. Cove Point states that this was necessary so that the transmission component of the Rate Schedule LTD-1 Reservation Charge matches the Reservation Rate for Rate Schedule FTS for the rates contained in the Settlement.<sup>9</sup> Cove Point contends that this adjustment is still necessary to the Settlement rates after the addition of the Fifth LNG Storage Tank to ensure that the Rate Schedule LTD-1 shippers receive the proper billing credit for “Elected FTS Service” under Rate Schedule LTD-1. Cove Point states that the total Maximum Reservation rate of \$6.4733 per Dth paid by the Rate Schedule LTD-1 customers established by the October 2002 Settlement will not change, however, the allocation of that rate between the “LNG Tanker Discharging Service” and the “Transmission” components of the Rate Schedule LTD-1 Reservation Charge will change.<sup>10</sup> Accordingly, Cove Point proposes to change the LNG Tanker Discharging Service under Rate Schedule LTD-1 from \$5.8149 per Dth approved in the October 2002 Settlement to \$5.7974 per Dth and the Transmission charge from \$0.6584 per Dth approved in the October 2002 Settlement to \$0.6759 per Dth in the filing to match the existing Rate Schedule FTS maximum rate, with the total Maximum Reservation rate of \$6.4733 per Dth remaining the same as the rate approved in the Settlement.

4. Cove Point’s October 26, 2004 filing also increased Cove Point’s existing effective LTD-1 Authorized Overrun rate from \$0.1332 to \$0.1966 per Dth. Cove Point states that although the October 2002 Settlement does not expressly state the Authorized Overrun rate for Rate Schedule LTD-1, the proposed rate is the same as the LTD-2 rate consistent with the tariff sheets included as part of the January 2001 Settlement in Docket No. CP01-76-000.

5. Cove Point’s November 4, 2004 filing further changed the LTD-1 Authorized Overrun rate, reducing it from the proposed rate of \$0.1966 to \$0.1954 per Dth. The filing also reduced the maximum LTD-2 commodity rate from the proposed level of \$0.1966 to \$0.1954 per Dth. According to Cove Point, although the rates included in the October 26, 2004 filing matched those in the October 2002 Settlement, a change in the

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<sup>9</sup> *Dominion Cove Point LNG LP*, Docket No. RP03-562-000 (Sept. 9, 2003) (unpublished letter order).

<sup>10</sup> Cove Point contends that the Reservation Rate Component under Rate Schedule FTS that is used as the basis of the proposed Transmission Component of the Reservation rate under Rate Schedule LTD-1 is \$0.6759 per Dth. See *Dominion Cove Point LNG LP*, Docket No. RP01-76-003 (February 28, 2003) (unpublished letter order).

LNG tanker discharging portion of the LTD-1 reservation rate requires a recalculation of the LTD-1 Authorized Overrun rate and the LTD-2 commodity rate.<sup>11</sup>

### **Notice and Protests**

6. Public notice of the filings was issued on November 2 and 9, 2004. Interventions and protests were due as provided in section 154.210 of the Commission's regulations. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2004)), all timely filed motions to intervene and any motion to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties.

7. BP Energy Company and Shell NA LNG LLC (collectively, BP Energy) protested the filings contending that instead of merely implementing the rates contained in the October 2002 Settlement, Cove Point has taken an inappropriate step by proposing to increase the LTD-1 Authorized Overrun rate. BP Energy contends that since the October 2002 Settlement does not provide for amendments to the Authorized Overrun rate, the Commission should reject the proposed increase. BP Energy argues that leaving the Authorized Overrun rate unchanged when the LTD-1 and LTD-2 rates are changed is consistent with past practices under the October 2002 Settlement.<sup>12</sup> BP contends that the October 2002 Settlement does not allow an Authorized Overrun rate increase.

### **Discussion**

8. We find that, with the exception of two of the proposed changes that were not authorized by the October 2002 Settlement, the referenced tariff sheets comply with the October 2002 Settlement and are accepted subject to the conditions herein.

9. Cove Point's proposed revisions to the Authorized Overrun rate for LTD-1 service and the LTD-2 commodity rate as reflected in its November 4, 2004 filing are not in compliance with the October 2002 Settlement and are rejected. First, the change in the LTD-1 Authorized Overrun rate upon the in-service date of the Fifth LNG Storage Tank

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<sup>11</sup> The proposed Transmission component is based on the currently effective Rate Schedule FTS Reservation Rate of \$0.6759 per Dth. The proposed LNG Tanker Discharging Service component is derived by taking the difference between the proposed total Rate Schedule LTD-1 Maximum Reservation rate of \$6.4733 per Dth and the proposed Transmission component of \$0.6759 per Dth.

<sup>12</sup> BP Protest at 2-3, *citing, Dominion Cove Point LNG, LP*, Docket Nos. RP03-392-000 & RP03-392-001 (June 19, 2003)(unpublished letter order). This order approved the rates for service prior to the Fifth LNG Storage Tank being placed into service.

was not provided for in the October 2002 Settlement. Therefore, the Commission finds that the proposed increase in the LTD-1 Authorized Overrun rate is beyond the scope of compliance with the October 2002 Settlement. Cove Point must file to propose a change in the Authorized Overrun rate in a fully supported limited Natural Gas Act (NGA) Section 4 filing if it wishes to change that rate. Second, Cove Point's proposed Rate Schedule LTD-2 commodity rate is not the LTD-2 commodity rate set forth in the October 2002 Settlement and, therefore, is beyond the scope of compliance with the October 2002 Settlement. Despite Cove Point's claim of a relationship between the FTS Reservation Rate and the LTD-1 Commodity Rate, the October 2002 Settlement establishes the LTD-2 commodity rate to be effective upon the in-service date of the Fifth LNG Storage Tank of \$0.1966 per Dth not the \$0.1954 per Dth proposed in the instant filings. Cove Point must file a limited NGA section 4 filing if it wishes to propose a change to this rate.

10. As to the proposed changes to the LTD-1 "LNG Tanker Discharging Service" rate and "Transmission" rate, we find that the charges are consistent with the apparent intent of the October 2002 Settlement despite not being reflected in the agreed rates in Appendix C to the Settlement. As noted above, Appendix C of the October 2002 Settlement provides for an LTD-1 "LNG Tanker Discharging Service" reservation rate of \$5.8149 per Dth and a "Transmission" reservation rate of \$0.6584 per Dth for a total LTD-1 "Maximum Reservation" rate of \$6.4733 per Dth. At the time of the Settlement, the maximum FTS reservation rate was the same as the LTD-1 "Transmission" rate, *i.e.*, \$0.6584 per Dth. Accordingly, the "Transmission" rate component of the LTD-1 "Maximum Reservation" rate appears to be intended to be equal to the maximum Rate Schedule FTS Reservation rate. Because the maximum FTS rate subsequently increased from \$0.6584 to \$0.6759 per Dth, it appears reasonable for Cove Point to track that change in the LTD-1 maximum "Transmission" rate. Further, because the parties settled on a total maximum reservation rate for LTD-1 service (\$6.4733 per Dth) it also appears reasonable to adjust the "LNG Tanker Discharge Service" maximum rate downward to arrive at the parties' agreed to total Maximum LTD-1 Reservation rate of \$6.4733 per Dth. Finally, no party protested this aspect of the instant filings.

11. Accordingly, Cove Point's tariff sheets are accepted to be effective the later of December 1, 2004 or the date the Fifth LNG Storage Tank is placed into service, subject to Cove Point filing within 15 days of the date of this order, revised tariff sheets that are consistent with the conditions described above.<sup>13</sup> Cove Point is directed to notify the Commission of the effective date of the tariff sheets within five days of the Fifth LNG Storage Tank being placed into service.

By direction of the Commission.

Magalie R. Salas,  
Secretary.

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<sup>13</sup> Fourth Revised Sheet No. 8 is rejected as moot.